

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**

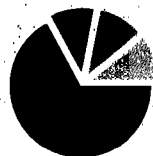
**A COMPONENT UNIT OF WASHINGTON COUNTY, UTAH**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

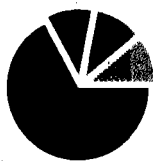


**HINTONBURDICK**  
**HINTON BURDICK HALL & SPILKER PLLC**  
**CPAs & ADVISORS**

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**FINANCIAL SECTION**



# HINTON BURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

## Independent Auditors' Report

Administrative Control Board  
Washington County Solid Waste Special Service District #1  
Washington, UT 84780

### MEMBERS:

KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We have audited the accompanying basic financial statements of Washington County Solid Waste Special Service District #1, a component unit of Washington County, as of December 31, 2006 and 2005, and for the years then ended, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Washington County Solid Waste Special Service District #1, as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2007 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis information on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The statement of revenues and expenses by department is presented for purposes of additional analysis and is not a required part of the audited financial statements of Washington County Solid Waste Special Service District #1. The totals in the statement of revenues and expenses by department were subjected to the auditing procedures applied in the audit, but the allocation between departments was not audited.

*Hinton, Burdick, Hall & Spilker, PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC

June 26, 2007

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## **WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**

### **Management's Discussion and Analysis**

As management of Washington County Solid Waste Special Service District #1, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance for the year ending December 31, 2006. Please read it in conjunction with the District's financial statements and additional information that we have furnished in the Independent Auditor's Report.

### **FINANCIAL HIGHLIGHTS**

The District's total assets as of December 31, 2006 are \$16,807,756. The District's assets exceed its liabilities by \$13,703,218 as of December 31, 2006. This amount will be used to meet the district's obligation to close the landfill cell and its ongoing obligations to customers, employees, and creditors.

The District's operating expenses are largely the result of the contract with Allied Waste, to pick up residential garbage, operation of the landfill, and the purchase and delivery of residential garbage containers.

The District's revenues are mainly garbage collection fees, commercial haulers fees, and landfill revenues.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report includes the Independent Auditor's Report and the Basic Financial Statements of the District.

QuickBooks accounting program provides the financial records supporting the District's financial reports. These statements offer financial information about the District's activities. The Statement of Net Assets includes all of the District's assets and liabilities.

All of the current year's revenues and expenses are accounted for in our Statement of Revenues, Expenses and Changes in Net Assets. The District's operating expenses decreased by \$55,304 from 2005 to 2006. The decrease was mostly attributed to a Utah State regulation that changed the closure and post closure calculations. The District's revenues also increased by \$852,465 from 2005 to 2006. The increase in revenues was due to population growth in Washington County, and an increase in the landfill disposal rates.

The Statement of Cash Flows reports net cash provided by operating activities, net cash used by investing activities, and net cash provided by capital and related financing activities. It also includes the net cash increase for the period, cash at the beginning of the period and cash at the end of the period.

An income and expense by month graph, included at the end of this section, reports, by month, the District's income compared to its expenses, as well as a summary chart of significant expenses.

## **DEBT ADMINISTRATION**

Washington County Solid Waste Special Service District #1 has accounts with the Utah Public Treasurer's Investment Fund held for the future closure of the current landfill cell. The post closure payable is the only long-term liability of the District.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

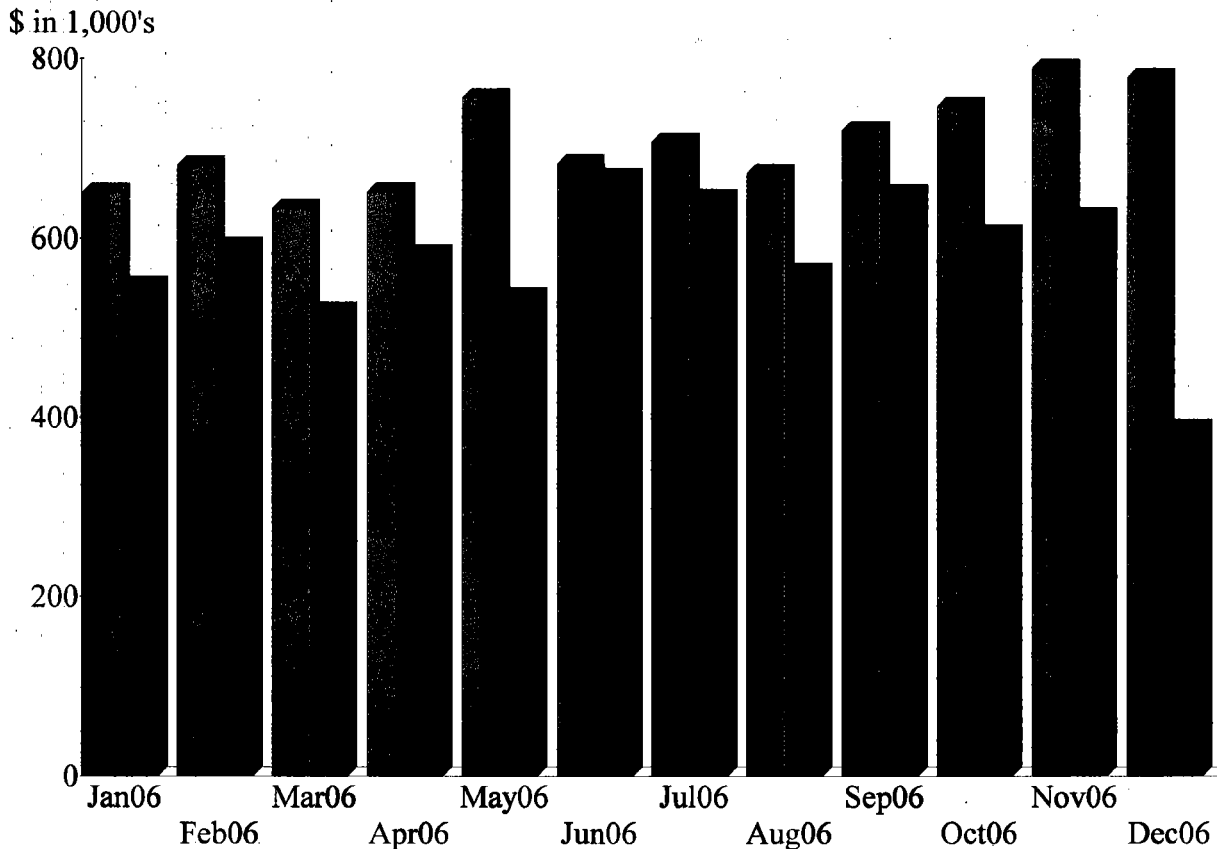
Washington County Solid Waste Special Service District #1 prepared its 2006 budget anticipating a nominal overall growth in tonnage of waste handled over the next year. However, the District's board approved a .25 cent increase in residential garbage fees for 2006. The board may increase basic landfill fees as well. Furthermore, the board approved Allied Waste's request for a fuel recovery fee, which is a sliding scale ranging from \$.03 to \$.48 per residence.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the district manager, Neil Schwendiman, 325 N. Landfill Rd., Washington, UT 84780.

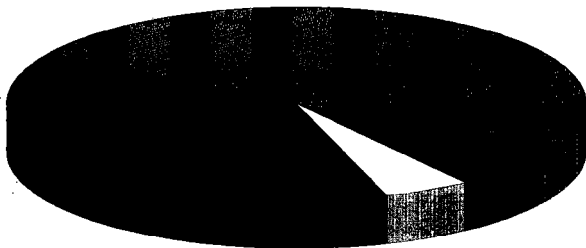
Income and Expense by Month  
January through December 2006

Income  
Expense



Expense Summary  
January through December 2006

|                                     |                |
|-------------------------------------|----------------|
| 4470 · OPERATIONS CONTRACT          | %41.92         |
| 4590 · RESIDENTIAL COLLECTION       | 39.26          |
| 5100 · DEPRECIATION EXP             | 4.85           |
| 4100 · SALARIES & WAGES             | 3.87           |
| 4591 · PAGE, AZ EXPENSE             | 2.77           |
| 4315 · COLLECTION STATION LIFT FEES | 1.66           |
| 4110 · EMPLOYEE BENEFITS            | 1.20           |
| 4250 · LAND, CELL CLOSURE FUN       | \$-79,744.58   |
| 4435 · RED ROCK SLUDGE              | 0.65           |
| 4323 · COMPACTION BONUS             | 0.57           |
| Other                               | 3.24           |
| Sub-Total                           | \$6,921,784.96 |





**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Statement of Net Assets**  
**December 31, 2006 & 2005**

|   | Proprietary Fund Type |                      |
|---|-----------------------|----------------------|
|   | 2006                  | 2005                 |
| <b>Assets</b>                                   |                       |                      |
| Current assets:                                 |                       |                      |
| Cash and cash equivalents                       | \$ 8,540,913          | \$ 7,468,588         |
| Accounts receivable, net of \$3,000 allowance   | 634,709               | 571,712              |
| Prepaid expenses                                | -                     | 7,350                |
| Total current assets                            | <u>9,175,622</u>      | <u>8,047,650</u>     |
| Noncurrent assets:                              |                       |                      |
| Restricted cash and cash equivalents            | 4,777,264             | 4,545,736            |
| Deposits  | 52,000                | -                    |
| Property and equipment:                         |                       |                      |
| Land  | 5,000                 | 5,000                |
| Buildings and improvements                      | 2,643,772             | 2,643,772            |
| Vehicles  | 56,363                | 56,363               |
| Office furniture and fixtures                   | 58,614                | 61,150               |
| Machinery and equipment                         | 2,533,276             | 2,159,751            |
| Less: accumulated depreciation                  | (2,494,155)           | (2,200,707)          |
| Total noncurrent assets                         | <u>7,632,134</u>      | <u>7,271,065</u>     |
| Total assets                                    | <u>16,807,756</u>     | <u>15,318,715</u>    |
| <b>Liabilities</b>                              |                       |                      |
| Current liabilities:                            |                       |                      |
| Accounts payable                                | 520,390               | 512,462              |
| Accrued liabilities                             | 10,733                | 6,809                |
| Accrued compensation                            | 3,706                 | 4,435                |
| Total current liabilities                       | <u>534,829</u>        | <u>523,706</u>       |
| Noncurrent liabilities:                         |                       |                      |
| Post closure payable                            | 2,569,709             | 2,649,454            |
| Total noncurrent liabilities                    | <u>2,569,709</u>      | <u>2,649,454</u>     |
| Total liabilities                               | <u>3,104,538</u>      | <u>3,173,160</u>     |
| <b>Net Assets</b>                               |                       |                      |
| Invested in capital assets, net of related debt | 2,802,870             | 2,725,329            |
| Restricted for closure & post closure costs     | 4,777,264             | 4,545,736            |
| Unrestricted                                    | 6,123,084             | 4,874,490            |
| Total net assets                                | <u>\$ 13,703,218</u>  | <u>\$ 12,145,555</u> |

The accompanying notes are an integral part of the financial statements.

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1****(A Component Unit of Washington County, Utah)****Statement of Revenues, Expenses, and Changes in Net Assets****For the Years Ended December 31, 2006 & 2005**

|  | Proprietary Fund Type |               |
|--|-----------------------|---------------|
|  | 2006                  | 2005          |
| <b>Operating revenues</b>              |                       |               |
| Charges for services                   | \$ 7,941,024          | \$ 7,088,559  |
| <b>Operating expenses</b>              |                       |               |
| Auto expense                           | 14,536                | 14,460        |
| Board expense                          | 6,191                 | 5,137         |
| Closure & post closure expense         | (79,745)              | 594,998       |
| Compost expense                        | 74,057                | 75,715        |
| Depreciation                           | 339,327               | 301,851       |
| Employee benefits                      | 83,831                | 84,832        |
| Engineering expense                    | 5,311                 | 2,333         |
| Insurance                              | 30,171                | 28,104        |
| Miscellaneous                          | 23,415                | 18,491        |
| Office expense                         | 13,116                | 11,607        |
| Operations contract                    | 3,169,030             | 3,031,788     |
| Postage and office supplies            | 23,294                | 20,518        |
| Professional fees                      | 38,305                | 28,630        |
| Public notices                         | 4,727                 | 3,652         |
| Rent and utilities expense             | 3,271                 | 4,603         |
| Salaries & wages                       | 271,192               | 207,593       |
| Sanitation charges                     | 2,865,622             | 2,512,702     |
| Taxes - payroll                        | 21,621                | 16,621        |
| Taxes - tonnage                        | 7,350                 | 7,350         |
| Tire disposal                          | 7,163                 | 6,104         |
| Total operating expenses               | 6,921,785             | 6,977,089     |
| Net operating income                   | 1,019,239             | 111,470       |
| <b>Non-operating income (expenses)</b> |                       |               |
| Interest income                        | 538,424               | 340,193       |
| Total nonoperating income (expenses)   | 538,424               | 340,193       |
| Change in net assets                   | 1,557,663             | 451,663       |
| Total net assets--beginning            | 12,145,555            | 11,693,892    |
| Total net assets--ending               | \$ 13,703,218         | \$ 12,145,555 |

The accompanying notes are an integral part of the financial statements.

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2006 & 2005**

|   | Proprietary Fund Type       |                             |
|---|-----------------------------|-----------------------------|
|   | 2006                        | 2005                        |
| <b>Cash flows from operating activities:</b>  |                             |                             |
| Cash received from customers  | \$ 7,885,377                | \$ 7,083,060                |
| Cash paid to suppliers  | (6,277,631)                 | (5,724,692)                 |
| Cash paid to employees  | (373,449)                   | (309,715)                   |
| Net cash flows from operating activities  | <u>1,234,297</u>            | <u>1,048,653</u>            |
| <b>Cash flows from investing activities:</b>  |                             |                             |
| Deposits paid   | (52,000)                    | -                           |
| Purchase of property and equipment  | (416,868)                   | (350,533)                   |
| Interest income   | 538,424                     | 340,193                     |
| Net cash flows from investing activities  | <u>69,556</u>               | <u>(10,340)</u>             |
| <b>Cash flows from capital and related financing activities:</b>                                  |                             |                             |
| Interest paid   | -                           | -                           |
| Net cash flows from capital and related financing activities                                      | <u>-</u>                    | <u>-</u>                    |
| Net change in cash and cash equivalents   | 1,303,853                   | 1,038,313                   |
| Cash and cash equivalents at beginning of year  | 12,014,324                  | 10,976,011                  |
| <b>Cash and cash equivalents at end of year</b>   | <u><u>\$ 13,318,177</u></u> | <u><u>\$ 12,014,324</u></u> |
| <b>Reconciliation of operating income to net cash flows from operating activities:</b>            |                             |                             |
| Net operating income (loss)   | \$ 1,019,239                | \$ 111,470                  |
| Adjustments to reconcile net operating income (loss) to net cash flows from operating activities: |                             |                             |
| Depreciation  | 339,327                     | 301,851                     |
| Post closure expense  | (79,745)                    | 594,998                     |
| (Increase) decrease in accounts receivable  | (62,997)                    | 1,851                       |
| (Increase) decrease in prepaid expenses   | 7,350                       | (7,350)                     |
| Increase (decrease) in accounts payable   | 7,928                       | 46,502                      |
| Increase (decrease) in accrued liabilities  | 3,195                       | (669)                       |
| Net cash flows from operating activities  | <u><u>\$ 1,234,297</u></u>  | <u><u>\$ 1,048,653</u></u>  |

The accompanying notes are an integral part of the financial statements.

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2006 & 2005**

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**Note 1. Summary of Significant Accounting Policies**

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The accounting and reporting policies of Washington County Solid Waste Special Service District Number 1 (the District) conform with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity - The District is the governmental entity providing solid waste disposal service to the residents and municipalities of Washington County and the City of Page, Arizona. There are no other agencies or component units that should be associated with these financial statements. The District is classified as a component unit of Washington County.

Fund Accounting - The District's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's only fund is a proprietary type which accounts for the District's solid waste operations.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred. The District applies all applicable GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2006 & 2005**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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Budget Policy and Process - The Service District adopts an annual budget. The budget is prepared on the cash basis. The Service District is required to submit the budget to the Utah State Auditor's Office after it has been adopted by the Board. Budgetary information has not been amended during the year. Budget appropriations lapse at year-end.

Source of Revenues - Revenues are generated from solid waste sanitation disposal services contracted with the District and billed monthly, mainly to the communities within the District, on a per-residence basis.

Encumbrances - Encumbrance accounting is not used.

Cash and Cash Equivalents - The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Assets - Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. A portion of net assets is restricted to provide funding to pay costs expected to close the District's landfill. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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**Note 2. Deposits and Investments**

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The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2006 & 2005**

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**Note 2.     Deposits and Investments, Continued**

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The District follows the requirements of the Utah Money Management Act (Utah code, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Deposits**

**Custodial Credit Risk**

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, \$7,075,709 of the District's bank balance of \$7,298,750 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investment for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2006 & 2005**

**Note 2. Deposits and Investments, Continued**

PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2006 the government had the following investments and maturities:

| Investment Type                         | Fair Value          | Investments Maturities (in Years) |             |             |              |
|---|---------------------|-----------------------------------|-------------|-------------|--------------|
|   |                     | Less than 1                       | 1-5         | 6-10        | More than 10 |
| Local Government Pooled Investment Fund | \$ 6,023,316        | \$ 6,023,316                      | \$ -        | \$ -        | \$ -         |
| <b>Total Fair Value</b>                 | <b>\$ 6,023,316</b> | <b>\$ 6,023,316</b>               | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b>  |

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At December 31, 2006 the District had the following investments and quality ratings:

| Investment Type                         | Fair Value          | Quality Ratings |             |             |                     |
|---|---------------------|-----------------|-------------|-------------|---------------------|
|   |                     | AAA             | AA          | A           | Unrated             |
| Local Government Pooled Investment Fund | \$ 6,023,316        | \$ -            | \$ -        | \$ -        | \$ 6,023,316        |
| <b>Total Fair Value</b>                 | <b>\$ 6,023,316</b> | <b>\$ -</b>     | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 6,023,316</b> |

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2006 & 2005**

**Note 3. Capital Assets and Depreciation**

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method as follows:

|  | Useful<br>Life<br>(Years) | Balance<br>12/31/2005 | Additions | Deletions | Balance<br>12/31/2006 |
|--|---------------------------|-----------------------|-----------|-----------|-----------------------|
| Capital assets, not being depreciated:       |                           |                       |           |           |                       |
| Land   | -                         | \$ 5,000              | \$ -      | \$ -      | \$ 5,000              |
| Total capital assets, not being depreciated  |                           | 5,000                 | -         | -         | 5,000                 |
| Capital assets, being depreciated:           |                           |                       |           |           |                       |
| Buildings and Improvements                   | 10-40                     | 2,643,772             | -         | -         | 2,643,772             |
| Vehicles                                     | 5-7                       | 56,363                | -         | -         | 56,363                |
| Office Furniture and Fixtures                | 3-10                      | 61,150                | 2,000     | 4,536     | 58,614                |
| Machinery and Equipment - Landfill           | 5-15                      | 2,159,751             | 414,868   | 41,343    | 2,533,276             |
| Total capital assets, being depreciated      |                           | 4,921,036             | 416,868   | 45,879    | 5,292,025             |
| Less: accumulated depreciation for:          |                           |                       |           |           |                       |
| Buildings and Improvements                   |                           | (878,546)             | (91,945)  | -         | (970,491)             |
| Vehicles                                     |                           | (43,587)              | (3,931)   | -         | (47,518)              |
| Office Furniture and Fixtures                |                           | (46,712)              | (6,952)   | (4,536)   | (49,128)              |
| Machinery and Equipment - Landfill           |                           | (1,231,862)           | (236,499) | (41,343)  | (1,427,018)           |
| Total accumulated depreciation               |                           | (2,200,707)           | (339,327) | (45,879)  | (2,494,155)           |
| Total capital assets, being depreciated, net |                           | 2,720,329             | 77,541    | -         | 2,797,870             |
| Total capital assets, net                    |                           | \$ 2,725,329          | \$ 77,541 | \$ -      | \$ 2,802,870          |



**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2006 & 2005**

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**Note 4. Major Contracts**

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Garbage Collection Contract:

A garbage collection contract was entered into during 1999. It became effective on October 27 and allows for 10 years of landfill operation and garbage pickup.

The contract allowed charges from Allied Waste Transportation, Inc. at \$4.80 per residence through December 31, 2002. The District added an administrative fee of \$1.55 for pickup and \$2.80 for landfill operations per residence, and the communities generally charge an additional fee of about \$.50 per residence. Charges from Allied Waste Transportation, Inc. for monthly residential pickup were scheduled to increase according to the following schedule:

|                     |        |
|---------------------|--------|
| 01/01/03 - 12/31/06 | \$5.05 |
| 01/01/07 - 12/31/09 | 5.30   |

During 2001, The District approved an amendment to the proposed rate increases. Because of rising fuel costs, \$0.10 of the proposed 2003 rate increase of \$0.25, was granted effective July 1, 2001. The remaining \$0.15 increase took effect as scheduled on January 1, 2003. Therefore, charges from Allied Waste Transportation, Inc. for monthly residential pickup are as follows:

|                    |        |
|--------------------|--------|
| 7/01/01 - 12/31/02 | \$4.90 |
| 1/01/03 - 12/31/06 | 5.05   |
| 1/01/07 - 12/31/09 | 5.30   |

In January of 2006, the District approved Allied's request for a fuel recovery fee, which is based on a sliding scale ranging from \$.03 to \$.48 per residence.

Under the contract, all residences are required to utilize the automated carts. The District controls the purchase, assembly and delivery of all carts.

Allied is responsible for obtaining bonding of \$1,000,000 guaranteeing faithful performance of the contract and \$500,000 guaranteeing payment of wages to all employees of Allied. Liability insurance etc. is also the responsibility of Allied.

Landfill Operation Agreement:

Effective May 1, 1999, the District entered into a contract with Allied Waste Transportation, Inc. for operation of the landfill. The contract term is from May 1, 1999 to December 31, 2009. Operations include compliance with all state and federal laws pertaining to the operation of landfills, obtaining and maintaining the necessary permits and licenses, operation of the composting project, repair and maintenance of all buildings and

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2006 & 2005**

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**Note 4. Major Contracts, Continued**

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improvements (except the gatehouse/scales), insurance coverage, and employment of necessary personnel.

The District will continue to operate the District office, gatehouse and scales; be responsible for controlling access to the landfill, weighing and keeping records of waste received at the landfill, and the billing/collecting of all fees charged for waste disposal at the landfill.

Per the operations agreement, Allied's monthly billings were calculated at 14.94 per ton, based on the annual rate of \$1,352,660, divided by the 90,428 tons of waste taken in during 1999.

Allied is responsible for obtaining bonding of \$2,000,000 guaranteeing faithful performance of the contract and \$500,000 guaranteeing payment of wages to all employees of Allied. Liability insurance etc. is also the responsibility of Allied.

Amendment to the Landfill Operations Agreement:

Effective March 3, 2000, the Landfill Operation Agreement was amended. The original contract provides that no solid waste generated outside the boundaries of the District shall be accepted by Allied Waste Transportation, Inc. for disposal at the Washington County Landfill, except as approved or authorized by the District.

The contract has been amended to allow Allied to accept for disposal at the Washington County Landfill all municipal solid waste generated by the City of Page, Arizona and surrounding national park service areas, and hauled to the PSI transfer station in Page, Arizona, not to exceed 20,000 tons per year. The term of the addendum shall not exceed a period of 12 years.

The contract allows Allied to charge the District \$11.80 per ton for the solid waste from the PSI transfer station.

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**Note 5. Defined Benefit Pension Plan**

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**Plan Description**

The District contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2006 & 2005**

**Note 5. Defined Benefit Pension Plan, Continued**

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy**

In the Local Governmental Noncontributory Retirement System, the District is required to contribute 11.09% for January - June and 11.59% for July - December of the employee's annual covered salary. The contribution rates are the actuarially determined rates, and are approved by the Board as authorized by Chapter 49.

The required contributions and amounts received for the 2006 calendar year and the two previous years are as follows:

|                                     | Year<br>Ended<br>12/31 | Employee paid<br>contributions | Employer paid<br>for employee<br>contributions | Employer<br>contributions | Salary subject<br>to retirement<br>contributions |
|-------------------------------------|------------------------|--------------------------------|--|---------------------------|--|
| <b>Noncontributory System:</b>      |                        |                                |  |                           |  |
| <b>Local Governmental Division</b>  |                        |                                |  |                           |  |
|                                     | 2006                   | \$ -                           | \$ -   | \$ 30,935.60              | \$ 271,869.53                                    |
|                                     | 2005                   | -                              | -  | 23,159.72                 | 208,834.86                                       |
|                                     | 2004                   | -                              | -  | 18,857.73                 | 182,024.59                                       |
| <b>Defined Contribution System:</b> |                        |                                |  |                           |  |
| <b>457 Plan</b>                     |                        |                                |  |                           |  |
|                                     | 2006                   | \$ 16,065.00                   | \$ -   | -                         | -  |
|                                     | 2005                   | 13,000.00                      | -  | -                         | -  |
|                                     | 2004                   | 12,220.00                      | -  | -                         | -  |
| <b>401(k) Plan</b>                  |                        |                                |  |                           |  |
|                                     | 2006                   | \$ 10,114.50                   | \$ 4,407.50                                    | -                         | -  |
|                                     | 2005                   | 7,267.00                       | 3,988.76                                       | -                         | -  |
|                                     | 2004                   | 7,150.00                       | 4,805.48                                       | -                         | -  |

The contributions were equal to the required contributions for each year.

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2006 & 2005**

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**Note 6. Closure and Post Closure Care Cost**

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State and federal laws and regulations require the District to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill is divided into various cells which will each be opened as the need arises for additional capacity. The \$2,569,710 reported as landfill closure and post closure care liability at December 31, 2006, represents the cumulative amount of closure and post closure costs reported to date based on the use of the estimated capacity of the constructed portions of the landfill. An estimated 86.86% of the constructed capacity had been used by December 31, 2006. The District will recognize the remaining estimated cost of closure and post closure care of \$388,643 as the remaining estimated capacity of the constructed cells is filled. These amounts are based on what it would cost to perform all closure and post closure care for the constructed cells in 2006. The District expects to close the entire landfill in the year 2041. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The District is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post closure care. The District is in compliance with these requirements, and, at December 31, 2006, investments of \$4,777,264 were held for these purposes.

During 2006, the calculation of the estimated cost of closure and post closure care was changed to include costs for only the constructed portions of the landfill, therefore reducing the total estimated cost of closure and post closure care. This change was considered a change in estimate for financial statement purposes and resulted in a decrease in the "Post closure payable" liability shown on the statement of net assets and a credit balance in the "Closure & post closure expense" account on the statement of revenues, expenses, and changes in net assets of the District.

**SUPPLEMENTARY INFORMATION**

**WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**  
**(A Component Unit of Washington County, Utah)**  
**Statement of Revenues and Expenses by Department**  
**For the Year Ended December 31, 2006**

|   | <u>Administrative</u> | <u>Landfill</u>   | <u>Collection</u> | <u>Composting</u> | <u>Total</u>        |
|---|-----------------------|-------------------|-------------------|-------------------|---------------------|
| <b>Operating revenues</b>                   |                       |                   |                   |                   |                     |
| Charges for services                        | \$ 291,375            | \$ 3,761,676      | \$ 3,529,547      | \$ 358,426        | \$ 7,941,024        |
| <b>Operating expenses</b>                   |                       |                   |                   |                   |                     |
| Auto expense                                | 4,417                 | -                 | 10,119            | -                 | 14,536              |
| Board expense                               | 6,191                 | -                 | -                 | -                 | 6,191               |
| Closure & post closure expense              | -                     | (79,745)          | -                 | -                 | (79,745)            |
| Compost expense                             | -                     | -                 | -                 | 74,057            | 74,057              |
| Depreciation                                | 339,327               | -                 | -                 | -                 | 339,327             |
| Employee benefits                           | 45,671                | 20,014            | 18,146            | -                 | 83,831              |
| Engineering expense                         | -                     | -                 | 5,311             | -                 | 5,311               |
| Insurance                                   | 6,985                 | 23,186            | -                 | -                 | 30,171              |
| Miscellaneous                               | 5,876                 | 16,703            | 836               | -                 | 23,415              |
| Office expense                              | 10,303                | 561               | 2,252             | -                 | 13,116              |
| Operations contract                         | -                     | 2,975,175         | 193,855           | -                 | 3,169,030           |
| Postage and office supplies                 | 15,581                | 7,713             | -                 | -                 | 23,294              |
| Professional fees                           | 38,305                | -                 | -                 | -                 | 38,305              |
| Public notices                              | 4,727                 | -                 | -                 | -                 | 4,727               |
| Rent and utilities expense                  | 1,046                 | 1,616             | 609               | -                 | 3,271               |
| Salaries & wages                            | 123,002               | 53,083            | 95,107            | -                 | 271,192             |
| Sanitation charges                          | -                     | -                 | 2,865,622         | -                 | 2,865,622           |
| Taxes - payroll                             | 9,756                 | 4,273             | 7,592             | -                 | 21,621              |
| Taxes - tonnage                             | -                     | 7,350             | -                 | -                 | 7,350               |
| Tire disposal                               | -                     | 7,163             | -                 | -                 | 7,163               |
| <b>Total operating expenses</b>             | <b>611,187</b>        | <b>3,037,092</b>  | <b>3,199,449</b>  | <b>74,057</b>     | <b>6,921,785</b>    |
| <b>Net operating income (loss)</b>          | <b>(319,812)</b>      | <b>724,584</b>    | <b>330,098</b>    | <b>284,369</b>    | <b>1,019,239</b>    |
| <b>Non-operating income (expenses)</b>      |                       |                   |                   |                   |                     |
| Interest income                             | 538,424               | -                 | -                 | -                 | 538,424             |
| <b>Total nonoperating income (expenses)</b> | <b>538,424</b>        | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>538,424</b>      |
| <b>Net revenues over(under) expenses</b>    | <b>\$ 218,612</b>     | <b>\$ 724,584</b> | <b>\$ 330,098</b> | <b>\$ 284,369</b> | <b>\$ 1,557,663</b> |

**OTHER COMMUNICATIONS**  
**FROM**  
**INDEPENDENT AUDITORS**



# HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**MEMBERS:**

KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

Administrative Control Board  
Washington County Special Service District # 1  
Washington, UT 84780

We have audited the basic financial statements of the Washington County Solid Waste Special Service District #1, a component unit of Washington County, and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting:

- 06-01. Uncorrected Accounts
- 06-02. Sufficient Accounting Expertise



A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

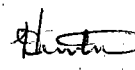
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 06-01 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's responses to the findings identified in our audit are described in the accompanying schedule of responses to the findings. We did not audit the District's response, and accordingly, we express no opinion on it.

While these reports are intended to be used by the specified parties, which include the applicable government regulatory bodies which require the reports, this report restriction does not alter the fact that the audit reports are public documents which, based on Utah laws, must be open to inspection by any interested person.

 Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC  
June 26, 2007



# HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

## Independent Auditors' Report on State of Utah Legal Compliance

Administrative Control Board  
Washington County Solid Waste Special Service District #1  
Washington, UT 84780

We have audited the basic financial statements of Washington County Solid Waste Special Service District #1; a component unit of Washington County; for the year ended December 31, 2006, and have issued our report thereon dated June 26, 2007. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006.

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Special Districts  
Other General Compliance Issues

The District did not receive any major or nonmajor State grants during the year ended December 31, 2006.

The management of Washington County Solid Waste Special Service District #1 is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

### MEMBERS:

KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

The results of our audit procedures disclosed no instances of non-compliance with the requirements referred to above.

In our opinion, Washington County Solid Waste Special Service District #1, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

*Hinton, Burdick, Hall & Spilker, PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC

June 26, 2007



# HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

## Findings and Recommendations For the Year Ended December 31, 2006

### MEMBERS:

KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
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MARK E. TICHENOR

Administrative Control Board  
Washington County Solid Waste Special Service District #1  
Washington, UT 84780

During our audit of the fund of the Washington County Solid Waste Special Service District #1 for the year 2006, we found circumstances that, if improved, would strengthen the District's accounting system and control over its assets. These items are discussed below for your consideration:

### Material Weakness Findings and Recommendations:

#### 06-01. Uncorrected Accounts

##### Finding

Even though the District has made improvements in tracking some balance sheet accounts, the District does not properly account for certain accounts. Capital assets are being expensed as opposed to being capitalized. The balance in the liability account for closure and post closure expenses is not being calculated and adjusted each year. Accounts payable and accounts receivable balances are not being accrued regularly. The District is not maintaining its own depreciation schedules and recording depreciation and changes in capital assets properly. A newly issued professional standard, Statement on Auditing Standards #112, indicates that this control weakness is a material weakness in the District's internal control.

##### Recommendation

We recommend that the District account for all accounts properly. Fixed assets should be properly capitalized as capital assets and the liability account for closure and post closure expenses should be calculated and adjusted each year. Year-end adjustments should be made to receivable and payable accounts so the year-end financial statements are accurate. Also, the District should acquire appropriate depreciation software and District personnel should properly record depreciation and other changes in capital assets in your financial records at least annually.

## Significant Deficiency Findings and Recommendations:

### 06-02. Sufficient Accounting Expertise

#### Finding

Newly issued Statement on Auditing Standards #112 indicates that it is a significant deficiency in the District's internal controls when the District's personnel do not have sufficient expertise to select and apply generally accepted accounting policies. It is our opinion that the District's personnel lack that level of expertise in the accounting field.

#### Recommendation

We suggest the District consider providing its accounting personnel with the appropriate training to provide them with the needed accounting expertise.

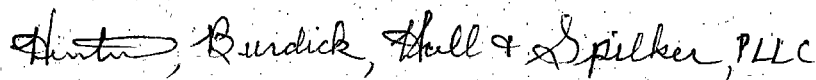
#### Responses

Please respond to the above findings and recommendations in letter form for submission to the State Auditor's office as required by State law.

This letter is intended solely for the use of the Superintendent, District Board, management and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the District this past year. We would like to express special thanks to each of you who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant professional relationship.

Sincerely,



HINTON, BURDICK, HALL & SPILKER, PLLC  
June 26, 2007

# Washington County Special Service District Number 1

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325 North Landfill Road • Washington, Utah 84780 • Office (435) 673-2813 • FAX (435) 673-8332

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July 6, 2007

Hinton, Burdick, Hall, & Spilker, PLLC  
63 South, 300 East, Suite 100  
Saint George, Utah. 84770

Response letter to material weakness findings.

To Whom It May Concern:

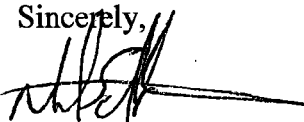
Finding 06-01 Uncorrected Accounts

The District will acquire the appropriate depreciation software and District personnel will properly record depreciation and other changes in capital assets annually. The liability account for closure and post closure expenses will be calculated and adjusted annually by District personnel. District personnel will also make year end adjustments to receivable and payable accounts.

Finding 06-02 Sufficient Accounting Expertise

The District will look into provided accounting personnel with the appropriate training to enhance accounting abilities.

Sincerely,



Neil Schwendiman  
District Manager  
Washington County Solid Waste Special Service District #1

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